Deloitte Haskins+Sells

Chartered Accountants

136 Centre Street
St. Thomas, Ontario N5R 3A2
(519) 631-8250

To the Members of Council,
Inhabitants and Ratepayers of
The Corporation of the
City of St. Thomas:

We have examined the consolidated balance sheet of The Corporation of the City of St. Thomas as at December 31, 1985 and the consolidated statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of The Corporation of the City of St. Thomas as at December 31, 1985 and the results of its operations for the year then ended in accordance with the accounting principles prescribed for Ontario Municipalities applied on a basis consistent with that of the preceding year.

Deloitte, Haskins + Sells

Auditors

Municipal Auditors'
Licence Number 1113

April 21, 1986

THE CORPORATION OF THE CITY OF ST. THOMAS

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1985

ASSETS	1985	1984
UNRESTRICTED		
Cash	$ 72,282	$ 54,658
Taxes receivable	1,257,188	1,481,513
Grants and subsidies receivable	1,597,927	747,758
User charges receivable	147,715	145,117
Accounts receivable	302,871	73,946
Other current assets	122,497	151,349
Long-term receivables	51,278	37,420
	3,551,758	2,691,761
RESTRICTED		
Cash	34,467	196,450
Other current assets	-	16,600
Long-term receivables	3,390	47,621
	37,857	260,671
CAPITAL OUTLAY FINANCED BY LONG-TERM LIABILITIES AND TO BE RECOVERED IN FUTURE YEARS (Note 1)	7,533,471	8,408,211
	$11,123,086	$11,360,643

LIABILITIES	1985	1984
CURRENT LIABILITIES		
Temporary loans	$ 6,273,152	$ 3,133,175
Accounts payable and accrued liabilities	703,824	1,299,758
Other current liabilities	131,361	282,624
	7,108,337	4,715,557
NET LONG-TERM LIABILITIES (Note 7)	7,533,471	8,408,211
FUND BALANCES AT THE END OF THE YEAR		
To be used to offset (to be recovered from) taxation or user charges (Note 8)	16,384	(46,234)
(Capital operations not yet permanently financed) (Note 8)	(4,541,207)	(2,898,858)
Reserves (Note 9)	968,244	921,296
Reserve funds (Note 9)	37,857	260,671
	(3,518,722)	(1,763,125)
	$11,123,086	$11,360,643

The accompanying notes are an integral part of this financial statement.

THE CORPORATION OF THE CITY OF ST. THOMAS

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1985

	Actual 1985	Actual 1984
SOURCES OF FINANCING		
Taxation and user charges		
Residential and farm taxation	$ 8,412,636	$ 7,665,339
Commercial and industrial taxation	4,427,670	4,078,719
Business taxation	1,902,789	1,756,481
Taxation from other governments	285,031	268,215
User charges	2,895,069	2,205,725
	17,923,195	15,974,479
Deduct amounts received or receivable for schools	5,786,108	5,378,492
	12,137,087	10,595,987
Grants		
Government of Canada	7,315	20,162
Province of Ontario	7,878,412	7,206,583
Other municipalities	8,730	-
	7,894,457	7,226,745
Other		
Contributions from developments	99,405	352,487
Investment income	243,493	203,677
Other	433,366	324,214
	776,264	880,378
PROCEEDS FROM THE ISSUE OF LONG-TERM LIABILITIES	-	584,100
NET APPROPRIATIONS FROM RESERVES AND RESERVE FUNDS	175,866	62,413
MUNICIPAL FUND BALANCES AT THE BEGINNING OF THE YEAR (Note 8)		
(To be recovered from taxation or user charges)	(46,234)	(83,362)
(Capital operations not yet financed)	(2,898,858)	(1,778,435)
	(2,945,092)	(1,861,797)
	$18,038,582	$17,487,826

	Actual 1985	Actual 1984
APPLIED TO		
Current operations		
General government	$ 1,180,687	$ 1,246,362
Protection to persons and property	4,696,470	4,332,829
Transportation services	3,976,222	2,660,653
Environment services	1,705,079	2,099,876
Health services	174,750	153,873
Social and family services	4,273,996	4,091,787
Recreation and cultural services	1,843,759	1,611,855
Planning and development	408,543	379,786
	18,259,506	16,577,021
Capital		
Office equipment purchased	118,009	290,252
Fire fighting equipment replaced	54,103	90,313
Police equipment replaced	40,575	15,802
Transportation services	1,462,631	1,854,273
Sewer systems reconstructed	2,233,261	1,393,513
Recreation and cultural projects	286,334	197,757
Other capital expenditures	108,986	13,987
	4,303,899	3,855,897
MUNICIPAL FUND BALANCES AT THE END OF THE YEAR (Note 8)		
To be used to offset (to be recovered from) taxation or user charges	16,384	(46,234)
(Capital operations not yet financed)	(4,541,207)	(2,898,858)
	(4,524,823)	(2,945,092)
	$18,038,582	$17,487,826

The accompanying notes are an integral part of this financial statement.

THE CORPORATION OF THE CITY OF ST. THOMAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1985

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles for municipalities in Ontario as required by the Ontario Ministry of Municipal Affairs under the authority of Section 84 of the Municipal Act and Part 2, Section 3, of the Municipal Affairs Act (R.S.O. 1980) and reflect the following policies as set forth in the Municipal Financial Reporting Handbook:

(a) Basis of Consolidation

(i) Consolidated Balance Sheet

This statement reflects the assets and liabilities of the revenue fund, reserve funds, and the capital fund and includes the activities of all committees of Council and the following boards, municipal enterprises and utilities which are under the control of Council:

Board of Management for the St. Thomas Downtown Improvement Area
Central Elgin Planning Advisory Committee
The St. Thomas Public Library Board
St. Thomas Economic Development Corporation

All interfund assets and liabilities are eliminated with the exception of loans or advances between the reserve funds and other funds of the Municipality.

(ii) Consolidated Statement of Operations

This statement reflects the consolidated sources of financing and expenditures of the revenue fund, reserves, reserve funds, and the capital fund of the Municipality and those local boards, municipal enterprises and utilities described in note 1(a)(i).

All interfund sources of financing and expenditures are eliminated with the exception of interest income and expenditures arising from loans and advances between the reserve funds and other funds of the Municipality.

(iii) Non-consolidated Entities

For those local boards, muncipal enterprises, and utilities of the Municipality which are not consolidated, the "Consolidated Balance Sheet" does not reflect their assets or liabilities except to the extent of amounts due to or from those entitities. The "Consolidated Statement of Operations" does not reflect their revenues and expenditures except to the extent of the Muncipality's contribution to those entities.

Those entities which are not consolidated are as follows:

Public Utilities Commission of St. Thomas, Ontario
Elgin-St. Thomas Health Unit
Family and Children's Services of St. Thomas and Elgin
St. Thomas Suburban Road Commission

THE CORPORATION OF THE CITY OF ST. THOMAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1985

1. ACCOUNTING POLICIES

(a) Basis of Consolidation (continued)

(iv) Accounting for School Board Transactions (gross less reduction)

The taxation and other revenues with respect to the operations of the school boards are reflected in the "Consolidated Statement of Operations" but with no effect on the Municipal Fund Balances since the total is shown as a deduction.

In addition the expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements except to the extent that overlevies (underlevies) are reported on the "Consolidated Balance Sheet" as "other current liabilities" ("other current assets").

(v) Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet".

(b) Basis of Accounting (nonaccrual)

(i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long-term liabilities which are charged against operations in the periods in which they are paid. The principal and interest charges are not accrued for the period(s) from the date(s) of the latest installment payment(s) to the end of the financial year.

(ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(iii) Fixed Assets

The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the "Consolidated Statement of Operations" in the year of acquisition. For those fixed assets financed or to be financed by the issue of long-term indebtedness, the principal and interest on the long-term indebtedness are also reported on the "Consolidated Statement of Operations" as they are paid.

(iv) Capital Outlay to be Recovered in Future Years

"Capital outlay to be recovered in future years" which represents the outstanding principal portion of unmatured long-term liabilities for municipal expenditures or capital funds transferred to other organizations, is reported on the "Consolidated Balance Sheet".

THE CORPORATION OF THE CITY OF ST. THOMAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1985

2. OPERATIONS OF SCHOOL BOARDS

Further to note 1(a)(iv), the taxation, other revenues, expenditures and overlevies (underlevies) of the school boards are comprised of the following:

	School Boards
Taxation	
Payments in lieu of taxes	$5,786,108
Amounts received or receivable	105,535
Requisitions	5,891,643
(Underlevies) for the year	5,895,274
Overlevies at the beginning of the year	(3,631)
(Underlevies) at the end of the year	2,758
	$ (873)

These revenues and expenditures are not reflected in the "Consolidated Statement of Operations".

The (underlevies) at the end of the year are reported as other current liabilities on the "Consolidated Balance Sheet".

3. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

Further to note 1(a)(iii), the assets and liabilities of unconsolidated joint boards have not been consolidated and are not reported on the "Consolidated Balance Sheet", except to the extent of the long-term liabilities to be recovered from general taxation.

The operations of these joint boards have also not been consolidated. The "Consolidated Statement of Operations" includes only the following contributions made by the Municipality to these boards:

	1985	1984
Elgin-St. Thomas Health Unit	$138,225	$119,154
Family and Children's Services of St. Thomas and Elgin	103,037	95,241
St. Thomas Suburban Road Commission	41,200	40,100
	$282,462	$254,495

THE CORPORATION OF THE CITY OF ST. THOMAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1985

4. TRUST FUNDS

Trust funds administered by the Municipality amounting to $187,696 (1984 - $97,589) have not been included in the "Consolidated Balance Sheet" nor have their operations been included in the "Consolidated Statement of Operations".

5. LIABILITY FOR PAST SERVICE PROVISION OF PENSION AGREEMENTS

Under the past service provision of pension agreements, the Municipality is obligated at December 31, 1985 for an amount of approximately $1,301,574 (1984 - $839,919) as established for the plans. An amount of $168,660 (1984 - $149,331) has been provided for in the current year and is reported on the "Consolidated Statement of Operations".

The balance of the liability will be funded in part by annual charges to operations over the next fifteen years as follows:

1986 to 1989	$191,352
1990 to 1995	$57,565
1996 to 1999	$42,021
2000	$22,692

6. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Throughout 1985 the accumulated sick leave benefit plans were replaced with short-term and long-term disability plans for all employees except the firefighters association. As a result, there is no further accumulation of sick days except for the thirty-seven members of the firefighters association.

The liability for the accumulated days under the sick leave benefit plans, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to $1,517,013 (1984 - $1,186,833). The amount of $73,885 (1984 - $42,425) has been provided for this past service liability and is reported on the "Consolidated Balance Sheet". An amount of $70,697 (1984 - $100,340) has been provided for in the current year and is reported on the "Consolidated Statement of Operations".

THE CORPORATION OF THE CITY OF ST. THOMAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1985

7. NET LONG-TERM LIABILITIES

	1985	1984
(a) The balance of net liabilities reported on the "Consolidated Balance Sheet" is made up of the following:		
Total long-term liabilities incurred by the Municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to	$7,881,833	$8,835,362
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by the Province of Ontario and school boards. At the end of the year, the outstanding principal amount of this liability is	(348,362)	(427,151)
Net long-term liabilities at the end of the year	$7,533,471	$8,408,211

(b) Of the net long-term liabilities reported in (a) of this note, $5,061,471 in principal payments are payable from 1986 to 1990, $2,393,000 from 1991 to 1995, and $79,000 thereafter.

(c) Approval of the Ontario Municipal Board has been obtained for the long-term liabilities in (a) issued in the name of the Municipality.

(d) The Municipality is contingently liable for long-term liabilities for which the responsibility for the payment of principal and interest has been assumed by school boards. The total amount outstanding as at December 31, 1985 is $85,000 (1984 - $124,000) and is not recorded on the "Consolidated Balance Sheet".

THE CORPORATION OF THE CITY OF ST. THOMAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1985

8. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

(a) The balances on the "Consolidated Statement of Operations" of municipal deficit of $4,524,823 (1984 - $2,945,092) at the end of the year are comprised of the following:

	1985	1984
To be used to offset (to be recovered from) taxation or user charges		
For general reduction (increase) of taxation	$ 19,872	$ (42,226)
For general (increase) of user charges	(3,488)	(4,008)
	16,384	(46,234)
Capital operations not yet permanently financed		
Acquisition of fixed assets to be recovered through taxation or user charges	(3,310,120)	(600,312)
Acquisition of fixed assets to be financed from the proceeds of long-term liabilities	(1,140,535)	(1,947,839)
Acquisition of fixed assets to be recovered through reserves and reserve funds	(232,850)	(1,173,799)
Funds available for the acquisition of fixed assets	142,298	823,092
	(4,541,207)	(2,898,858)
	$(4,524,823)	$(2,945,092)

(b) Approval of the Ontario Municipal Board has been obtained for the pending issue(s) of long-term liabilities and for those commitments to be financed from revenues beyond the term of Council.

THE CORPORATION OF THE CITY OF ST. THOMAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1985

9. RESERVES AND RESERVE FUNDS

Effective January 1, 1985, amendments to regulations require that the Ontario Home Renewal Program funds be accounted for as a trust fund and no longer as a reserve fund. This transfer of the fund balance has reduced the total opening reserve fund balance by $87,006, and is not reflected in the "Consolidated Statement of Operations". The 1985 transactions for this Program are reflected in the consolidated financial statements for the trust funds of the Municipality.

The total balances of reserves and reserve funds of $968,244 (1984 - $921,296) and $37,857 (1984 - $260,671) respectively are made up of the following:

	1985	1984
Reserves set aside for specific purpose by Council		
For acquisition of fixed assets	$698,584	$627,847
For working capital and contingencies	193,983	205,846
For sick leave	55,677	24,989
For other purposes	20,000	62,614
Total reserves	$968,244	$921,296
Reserve funds set aside for specific purpose by Council		
For acquisition of fixed assets	$ 19,649	$ 14,159
For sick leave	18,208	17,436
	37,857	31,595
Reserve funds set aside for specific purpose by legislation, regulation or agreement		
For park purposes	$ -	$ 62,736
For parking purposes	-	79,334
For loans under the Ontario Home Renewal Program	-	87,006
	-	229,076
Total reserve funds	$ 37,857	$260,671

THE CORPORATION OF THE CITY OF ST. THOMAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1985

10. CHARGES FOR NET LONG-TERM LIABILITIES

Total charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Operations" are as follows:

	1985	1984
Principal	$ 874,699	$ 831,166
Interest	984,762	1,007,937
	$1,859,461	$1,839,103

11. COMMITMENT

On November 18, 1985 City Council passed bylaw 119-85 authorizing a grant of $2,000,000 to the St. Thomas Elgin General Hospital. Payment of the $2,000,000 is to be made $500,000 in each of the four succeeding years commencing in 1985. As at December 31, 1985 the $500,000 payment had not been made and has not been accrued in these financial statements.

12. NONACCRUAL OF INTEREST ON LONG-TERM LIABILITIES

No provision has been made in these financial statements for the accrual of interest on the net long-term liabilities. Had this provision been made the municipal fund balances as at December 31, 1985 would have been decreased by $147,900 (1984 - $153,890).

THE CORPORATION OF THE CITY OF ST. THOMAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1985

13. CONTRACTUAL OBLIGATION - MINISTRY OF THE ENVIRONMENT

In accordance with a service agreement entered into by the Municipality with the Ministry of Environment, the existing sewage and water systems are owned and operated by the Ministry. The Municipality is obligated to meet all operating costs and repay the long-term liabilities related to this project. These operating costs and the repayment of the long-term liabilities have been assumed by the Public Utilities Commission of St. Thomas.

Information received from the Ministry as at March 31, 1985, indicates the following:

	Accumulated Net (Deficit)	1985 Debt Charges	Total Outstanding Long-Term Liabilities
Water system	$(2,280,000)	$292,000	$3,414,000

The operating deficits and long-term liabilities indicated above are not reflected in the accompanying financial statements.